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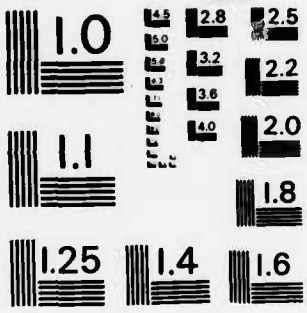

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Organizational Strategies for Adapting to High Rates of Employee Turnover

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Many organizations may face high rates of employee turnover that are difficult or prohibitively costly to control. Strategies for increasing employee retention may not be practical in these organizations because employees leave for reasons beyond the control of management or the cost of reducing turnover is greater than the benefits to be derived. In this situation, managers need to consider implementing strategies that can minimize or buffer the organization from the negative consequences that often follow from turnover.

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20. Abstract (continued)

Several strategies organizations can use to adapt to uncontrollably high employee turnover rates are presented in this paper. In addition, suggestions are made for how managers should diagnose the problem of employee turnover in their organization and make choices among the alternative strategies for solving this problem.

Abstract

Many organizations may face high rates of employee turnover that are difficult or prohibitively costly to control. Strategies for increasing employee retention may not be practical in these organizations because employees leave for reasons beyond the control of management or the cost of reducing turnover is greater than the benefits to be derived. In this situation, managers need to consider implementing strategies that can minimize or buffer the organization from the negative consequences that often follow from turnover. Several strategies organizations can use to adapt to uncontrollably high employee turnover rates are presented in this paper. In addition, suggestions are made for how managers should diagnose the problem of employee turnover in their organization and make choices among the alternative strategies for solving this problem.

Organizational Strategies for Adapting to High Rates of Employee Turnover

Both managers and researchers tend to view turnover in organizations as a potentially costly and distruptive problem, most often with serious implications for overall organizational effectiveness. Although recent exceptions to this tendency have appeared in the literature (Dalton & Tudor, 1982; Mobley, 1982; Mowday, Porter & Steers, 1982; Staw, 1980), previous research has clearly emphasized the negative consequences associated with turnover. As a result, most research efforts have focused exclusively on the question of <u>why</u> employees voluntarily leave organizations. Of course, understanding why employees leave and the processes through which such decisions are made is the first step in identifying strategies organizations can use to increase retention.

A basic assumption (more often implicit than explicit) underlying most previous work on employee turnover is that retention rates in organizations can be effectively increased. In other words, organizations that understand the reasons why their employees leave can take steps to reduce turnover. This assumption is undoubtedly true for many organizations. What has been apparently neglected by many writers in the turnover of literature, however, is that this assumption may <u>not</u> be true in many other organizations that experience high rates of turnover. For these organizations, high rates of employee turnover may be difficult to reduce. This would be the case, for example, when employees leave for reasons beyond the direct control of the organization. Moreover, even when turnover can be reduced, some organizations may lack the resources necessary to effectively undertake such efforts or they may discover that the costs

associated with reducing turnover far outweigh any benefits that might reasonably be expected to result. High employee turnover rates may therefore be a fact of life for many organizations, reducable in theory but not in practice.

What advice can we offer to managers of organizations facing high employee turnover that is difficult or too costly to reduce? Unfortunately, the answer is that very little has been written that will be of help to organizations faced with this situation. By implication, the literature seems to suggest that organizations with uncontrollably high turnover can do little beyond passively accepting the problems that result when employees leave. From an organizational or managerial perspective, this may not be a very satisfactory answer. Organizations, even those with high turnover, must accomplish their goals as efficiently and effectively as possible to remain competitive within their industry. When employee turnover is high, goal accomplishment becomes more difficult, but no less important. Thus, managers must learn to manage in the difficult environment created by an unstable workforce.

It is important to recognize that the problems created by high turnover are of interest to more than just a handful of organizations. A large number of organizations in diverse industries may experience chronically high turnover rates that are difficult to control. Certain occupations and industries appear to be characterized by a relatively unstable workforce. For example, Staw (1980) reported that the median years on the job for employees in the railroad industry is almost three times that of employees in durable goods manufacturing. It is not safe to assume that all organizations experiencing high turnover are poorly managed or have simply failed to give attention to this problem. Certainly, railroads are rarely mentioned

among the nation's best managed firms, and many otherwise effective companies experience chronic turnover in certain positions (e.g., engineers in high technology companies). Moreover, the economic conditions facing different firms and industries may not provide the complete answer. Rather, the nature of the work in some occupations, the types of people attracted to the jobs, and the wage structure required for organizations to remain competitive may each contribute to a less stable workforce.

When organizational turnover rates are uncontrollably high, searching for strategies to increase employee retention, most of which are likely to be ineffective, may not be very useful. Rather, a different question emerges with greater practical significance for managers: how can the organization adapt to high employee turnover in ways that minimize its negative consequences? Stated somewhat differently, how can organizations function with high employee turnover and still be effective?

The purpose of this paper is to begin exploring the question of how organizations can adapt to chronically high employee turnover rates. Several strategies that organizations can use to minimize the problems caused by turnover will be presented. These strategies are not necessarily designed to reduce turnover, but rather to buffer the organization from the problems that employee turnover can cause. The discussion that follows will view turnover from the perspective of the overall organization. Thus, less attention will be given to turnover or its consequences from an individual or work group perspective (cf., Mowday et al., 1982).

To provide a context for discussing possible adaptation strategies, the next section briefly reviews the negative consequences of employee turnover at the level of the overall organization. Following this, specific adapta-

tion strategies will be presented. Finally, consideration will be given to how managers can systematically diagnose the extent to which employee turnover represents a problem in the organization and select among alternative strategies for addressing this problem.

Negative Consequences of Turnover for Organizations

A number of negative (as well as positive) consequences of employee turnover for organizations have been discussed in the literature (Mobley, 1982; Mowday, et al., 1982; Price, 1977; Staw, 1980). These negative consequences are summarized in Figure 1, along with several adaptation strategies (to be discussed later) that organizations can use to minimize or buffer the extent to which these consequences follow from employee turnover. Because negative consequences of employee turnover are the very things that organizations seek to prevent through adaptation strategies, a brief discussion of these consequences is useful in guiding our thinking about ways to adapt.

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Costs

The most frequently discussed negative consequence of employee turnover concerns the costs associated with employees leaving and new employees being hired into the organization. Turnover can increase organizational costs associated with recruitment, selection, training and development, and administrative personnel required to process those who leave and those who join. While the actual costs associated with employee turnover differ by job and by organization, an indication of their importance is provided by Gustafson (in Mobley, 1982). He noted that AT&T (before divestiture) replaced more than 100,000 employees per year, at an estimated average cost in excess of $1000 per

employee. Thus, a conservative estimate of the cost of turnover in the AT&T system is over $100 million annually. Although a full discussion of the costs associated with employee turnover is beyond the scope of this paper (see Gustafson's excellent discussion in Mobley, 1982), at this point it is sufficient to recognize that employee turnover often imposes significant demands upon organizational resources.

Demoralization

A dominant theme in previous turnover research is that employee dissatisfaction causes people to leave. More recently, several writers have suggested that turnover in organizations can also be viewed as an important source of dissatisfaction for those who remain. Increased levels of dissatisfaction can result from turnover in several ways. First, Mowday (1981) suggested that co-workers who leave for better opportunities may cause remaining employees to question their own position in the organization and the desirability of remaining on the job. Although Mowday (1981) presented evidence which indicated that remaining employees developed beliefs about the causes of turnover consistent with their own attitudes (e.g., satisfied employees were less likely to believe that others left because of dissatisfaction), it is possible that high levels of employee turnover provide a stimulus for remaining employees to reevaluate their job, often in a more negative direction.

Second, widespread demoralization can occur when key managers or the respected leader of an organization leaves. For example, it was reported that Ford dealers were very concerned when they learned that Lee Iacocca had left the company (Lasky, 1981). In fact, fearing possible demoralization, Henry Ford II sent a personal letter to each of Ford's 6,500 dealers reassuring them of the company's future. Interestingly, after Iacocca joined Chrysler a

number of Ford dealers resigned their distributorship and began selling Chrysler products.

Finally, demoralization may indirectly result from employee turnover as a consequence of how replacements are recruited to fill open positions. One of the presumed benefits of turnover in organizations is that it provides opportunities for remaining employees to be promoted (Mowday, et al., 1982). When replacements are recruited from outside the organization, however, dissatisfaction may result among employees who unsuccessfully aspired to the vacant position. Being passed-over for a promotion can be a demoralizing experience for employees. Turnover in organizations can set the stage for this to occur, although clearly it is not an inevitable consequence.

Negative Public Relations

Because turnover is most often viewed as a "problem," its existence on a widespread and continuing basis may be interpreted by those outside the organization as an indication that severe problems exist. When we hear of people voluntarily leaving an organization, particularly prominent individuals, it is not uncommon to assume that the decisions were stimulated by problems in the organization (e.g., "if that is such a good place to work, why do so many people quit?"). This may be true even though people realize that many employees leave for reasons that have little to do with the quality of work or the organization.

Although certainly not the typical example, the case of John DeLorean's resignation as an executive of General Motors illustrates the potential problem. DeLorean's "unofficial" book on his experiences in the corporation did not paint a very favorable picture of what it was like to work for General Motors (Wright, 1979). Even though DeLorean's subsequent problems with the

law have called his credibility into question, his book was circulated for several years before such questions became apparent. Although few executives go public with their complaints about former employers, many individuals who leave organizations feel a need to justify their decision to others, even if only in private conversation. It would not be surprising if many people choose to attribute their reason for leaving to problems in organization rather than personal shortcomings. Thus, negative images of organizations may be created by those who voluntarily resign. To the extent these views become public or are stated to potential employees, the organization's recruiting efforts may be hindered.

Operational Disruption

When employees leave organizations the potential exists to create serious disruptions in day-to-day operations. Most commonly, such disruptions involve insufficient manpower to produce at needed capacity (e.g., only 20 employees available on a production line engineered to run with 25). More serious disruptions can occur when key personnel leave, trained replacements are not readily available, or the timing of the resignation comes during a period of critical demand. The loss of a lead engineer on a computer design project, for example, may seriously disrupt the work of the design team and lengthen the time required for project completion.

When the person leaving is in a significant leadership position, many important decisions may be delayed until a replacement is found. Moreover, continuity of long-range strategy may be threatened when replacements make changes in the direction of the firm. An example of the disruption that can take place when those in leadership positions leave can be found by examining recent events at RCA (Business Week, August 17, 1981). After 45 years of stable

leadership provided by David Sarnoff as Chairman, RCA had four Chief Executive Officers in a six-year period. The inconsistency of the acquisition and investment strategy followed by RCA during this period illustrates the disruption turnover in the CEO position can cause. David Sarnoff was followed by Robert Sarnoff, whose acquisition of Coronet (furniture and carpets) was sold by the CEO that followed him, Anthony Conrad. Conrad, who lasted in the position only 10 months, invested in Alascom (satellite communications), which was subsequently sold by the next CEO, Edgar Griffeths. Under Griffeth's leadership, RCA acquired CIT Financial Corporation, which is reportedly being considered for sale by Thornton Bradshaw (Ehrbar, 1982), who replaced Griffeth. Instability in the top leadership position at RCA may have contributed to greater inconsistency in corporate acquisitions than might otherwise have been the case if one person had held this position for six years.

Strategic Opportunity Costs

Instability of employees in the organization may also prevent strategic plans from being implemented or prevent organizations from taking advantage of important market opportunities. Mobley (1982), for example, cited the case of a hospital that was forced to postpone opening a new wing because of problems in recruiting and retaining qualified nursing personnel. When organizations follow a strategy of increasing capacity to meet anticipated demand for a product, attention is most often focused on the financial problems associated with investing in new plant and equipment. It is also important to recognize that serious problems can occur when organizations cannot recruit or retain qualified employees to staff the new plant. Employee turnover may therefore have the potential to limit the organization's ability to implement strategic plans or shift resources to take advantage of market opportunities.

Decreased Employee Social Integration

Another potential consequence of employee turnover is distruption of informal social relationships among employees. Building friendships and social relationships at work is much more difficult when work groups are unstable. The willingness of employees to invest the time necessary to establish close social relationships may diminish when the long-term stability of these relationships becomes uncertain. Moreover, it may be more demoralizing for employees when close friends in the workplace leave. Because a great deal of communication in organizations is of an informal nature, limited social integration can threaten to disrupt work. In addition, social involvement in the workplace has been identified as an important factor contributing to employee commitment (Mowday, et al., 1982). Thus, the ability to build high commitment among remaining employees may be diminished when strong social ties with co-workers become problematic.

Undifferentiated Turnover Control Strategies

Mobley (1982) identified an additional negative consequence of turnover, although it results less directly from actual turnover than from the organization's attempt to control it. The source of the problem is that many managers fail to adequately diagnose the reasons why employees leave. Instead, managers may have unsubstantiated hunches about the causes of turnover or rely on information of uncertain validity in arriving at a diagnosis (e.g., exit interviews).[1] Even though good information may not be available, managers may feel the need to take action. This can lead to a number of turnover control attempts, many of which may not be directed at the underlying reasons why employees leave. Costly supervisory training programs may be initiated, for example, even though poor supervision is not a primary cause of turnover. Misdirected turnover control

strategies may waste valuable organizational resources because they are likely to have limited, if any, effectiveness. Although managers may feel better at having "done something" about the turnover problem, turnover rates will remain high and the problems turnover causes will continue to exist.

Decreased Effectiveness

For several reasons cited above, high rates of employee turnover may serve to decrease overall organizational effectiveness. Disruption of operations, interruption of strategic plans, and the additional costs imposed by replacing personnel may make organizations less effective or efficient than would otherwise have been the case. Although perhaps not solely attributable to the turnover in leadership, RCA has experienced declining sales and earnings (Ehrbar, 1982). Moreover, interest payments on long-term debt increased 156% over a five-year period in which there was turnover in the top position. The decreased overall effectiveness of this corporation is perhaps best illustrated by the fact that Standard and Poor's Corporation lowered the rating on RCA's commercial paper and senior debt, thus increasing the cost of borrowing in the future. By Gustafson's (in Mobley, 1982) calculations, the Bell System incurred costs of over $100 million annually as a result of employee turnover. Turnover of employees in one key position, as well as among less critical employees across many different positions, therefore has the potential to decrease overall effectiveness of the organization.

Organizational Adaptation Strategies for High Turnover Rates

What can managers do to reduce or eliminate the problems caused by high employee turnover when retention itself is difficult or costly to increase? Several strategies will be discussed in this section. These strategies are primarily directed toward minimizing or buffering the negative consequences

associated with turnover. Although some of these strategies have the potential side benefit of creating a more favorable job situation and thus possibly reducing turnover, the discussion will focus on the implications of these strategies for reducing the problems caused by turnover.

It is important to recognize that these strategies, like turnover itself, are not without cost to the organization. Some of the strategies are more costly than others, but each involves the allocation of at least some organizational resources. In a later section, the question of how managers can approach the question of trade-offs in assessing strategies for dealing with employee turnover will be considered.

The adaptive strategies have been grouped into three general categories for purposes of discussion. Each are discussed separately below.

Administrative Strategies

Administrative strategies represent steps managers can take to reduce some of the problems caused by employee turnover, particularly those dealing with potential disruption and negative public relations. Because these strategies focus less on direct intervention in the supervision of employees, they are more organization-wide in scope. Thus, they are distinguished from strategies dealing with the management of human resources to be discussed in the next section.

1. Build slack into production systems. The potential for operational disruption to be caused by employee turnover increases when organizations are working at peak capacity or when little flexibility exists in production planning. One obvious (although perhaps costly) way to reduce the potential disruption caused by employee turnover is to introduce slack into the system. Increasing slack generally refers to strategies which increase organizational resources

beyond a level minimally required to complete a task. Slack designed to reduce the disruption caused by turnover can take several specific forms. First, additional staff can be employed beyond the immediate needs of the organization. For example, a production line might purposely be staffed by 25 employees even though only 23 are required to run the line. Having additional employees would insure that production schedules could be maintained when individual employees quit their job on short notice. Second, organizations can schedule slack into their production processes by increasing the time allowed for a production run or the date on which a production order is to be filled. The extra time allowed for production would not be needed when employee turnover was minimal. Thus, some orders could be filled ahead of schedule. However, slack would be available when employee turnover reduced the organization's ability to produce goods or services. Finally, organizations can follow a strategy of increasing their finished goods inventory. Carrying more finished goods than the organization normally needs would insure that customer orders could still be filled when employee turnover causes temporary disruption of production processes.

As suggested earlier, building greater slack into organization processes is a costly strategy for dealing with the problems associated with employee turnover. In fact, in response to the economic recession and competitive pressures from international producers, most organizations have been preoccupied with finding ways to reduce slack and thus the costs of production. Chrysler Corporation, for example, has been able to reduce their number of white collar employees almost 50% (from 40,000 to 21,000) while retaining the same overall capacity to produce cars (Business Week, June 21, 1982). Although the gains made by corporations in reducing costs by eliminating

slack are impressive, it is important to recognize this strategy may be feasible because employee turnover also tends to decline during periods of economic recession. As the economy improves and employee turnover predictably increases, retaining some slack in staffing and production systems may again serve a useful purpose.

2. Organizational design. Increased centralization and formalization have been identified by Price (1977) as organizational consequences of employee turnover. Rather than direct consequences, it is also possible to consider these structural features as adaptive strategies organizations can use to minimize the negative consequences of turnover. In other words, they are not inevitable consequences of turnover, but rather ways organizations seek to cope with the problems turnover can cause.

Centralization has the effect of decreasing the reliance organizations place on a broad number of employees for important decisions. When decisions are centralized in a small number of key management positions, the probability decreases that the loss of any given employee would disrupt the decision making process. Of course, increased centralization may be a two-edged sword, since disruption may increase when one of the key managers in a centralized decision making position leave. In general, however, the more decision making is centralized among employees in the organization, the less probable turnover is to cause disruption. This view is reinforced by the fact that higher rates of turnover are generally found at lower levels of the organization.

Formalization also has the potential to minimize the disruption caused by turnover through decreasing the organization's reliance on informal communication and understandings among employees. When informal communication is important in the day-to-day performance of tasks, employee turnover has the

potential to greatly disrupt effectiveness. The development of formal rules, policies, and job procedures helps insure that employees have access to information on the proper way to accomplish their tasks. Moreover, such formal statements of policy and procedure may make it easier to assimilate new employees into the organization. This does not necessarily suggest that organizations should discourage informal communication among employees, only that formal statements of policy and procedures should be available when informal channels are disrupted.

3. Symbolic management of turnover. Employee turnover can prompt considerable speculation about the reasons for termination, both among individuals inside and outside the organization (Mowday, 1983). When this speculation centers around potential problems with the job or workplace, the job attitudes of remaining employees can suffer and the image of the organization as a good place to work may be damaged. Because of these potential problems, many organizations find it desirable to place their own interpretation about the reasons for turnover before the public, particularly when a highly visible employee leaves. Organizations routinely announce the resignation of top executives to their own employees and larger public, but only rarely indicate that the reason for the resignation was something other than in the best interests of the person and organization. Clearly, these announcements represent attempts by the organization to manage the turnover process in ways that minimize the potential for lower employee morale and poor public relations.

It is less common for organizations to manage the turnover process of lower level employees. Given high turnover rates, however, it may be possible to manage the turnover of employees in ways that help increase the attractiveness of working in the organization to others. For example, for many years

the U. S. Navy has attempted to recruit new personnel by promising they can learn a marketable skill that will be useful in finding a job once the enlistment is up. While primarily a recruiting tool, this approach could also be used to interpret turnover in a more favorable way. Enlisted personnel who leave the Navy for good civilian jobs can be thought of as a "success" story and widely publicized, thereby increasing the Navy's ability to recruit additional personnel. Once individuals are in the Navy, even if only for the instrumental reason of learning a job skill for civilian application, some will make a career commitment because of simple inertia or the realization that a Navy career offers substantial benefits. It is unlikely that the Navy will ever be able to reduce turnover to tolerable limits, if only because the cost would be enormous. Therefore, it may be beneficial to think of ways that inevitable turnover can be used to increase the Navy's image for purposes of recruiting necessary personnel.

Certain jobs in many organizations are viewed as stepping stones to better positions elsewhere (e.g., a large proportion of new CPAs joining public accounting firms will go on to become corporate controllers rather than partners in the firm). Moreover, there may be little the organization can (or want to) do about this situation. When turnover is difficult to reduce, managers may want to think of ways it can be used to the organization's best advantage by managing beliefs about why people leave and what happens to them once they are gone.

4. Regulating patterns of turnover. One of the major reasons why employee turnover is disruptive is the difficulty of predicting when it will occur and thus planning ahead to deal with the problems that will inevitably result. When turnover cannot be easily reduced, it is clearly in the organiza-

tion's best interests to make it more predictable. The military is certainly in a more enviable position than most business organizations in this regard. Because enlistments are made for a set period of time, manpower planners in the military can predict when turnover is likely to take place for a particular individual. Because most business organizations do not have the benefit of enforceable enlistment contracts, other ways must be found to make employee turnover more predictable or influence the time at which employees are most likely to leave.

For many organizations, making employee turnover more predictable may simply involve a careful analysis of historical turnover trends. Unless significant changes have taken place in the organization or its environment, the best (although not perfect) predictor of future turnover are past trends. Most business organizations have the information available in personnel files to carefully analyze when turnover is most likely to take place and among which group of employees. It is possible that many organizations do not utilize this information to forecast turnover trends and future hiring needs, even though it would be of great assistance in minimizing the disruption caused when employees leave.

A more direct approach to managing the turnover process involves providing disincentives for employees to quit at certain critical times or, alternatively, to provide incentives for employees who plan to leave to actually do so at a time when it will cause the least disruption. For example, plant-wide bonus systems can be tied to performance during a specified period of time (e.g., 6 or 12 months) and only be made available to those employees who were present during the entire period. Employees who quit during the period would do so at the loss of their bonus, thus providing a strong

incentive for employees to leave only during certain times of the year. Organizations can undertake recruiting or training programs timed to coincide with periods in which the highest levels of employee turnover are expected.

Human Resource Management Policies

Several strategies designed to minimize the negative consequences associated with employee turnover focus most directly on the management of human resources. Like the administrative strategies discussed in the previous section, most of these approaches are designed to minimize the disruption caused by turnover. Several strategies directly attempt to reduce the costs associated with employee turnover, however.

1. Training programs. The development of more effective training programs in organizations can help to minimize the disruption caused by employee turnover in several ways. First, training programs designed to help new employees learn their job can lessen the time required to become proficient. Because decreased productivity during the time a replacement is learning the job must be considered a cost of turnover, as well as a disruptive factor, training that speeds up the learning process can have substantial benefits.

Second, training can be used to build an internal labor pool that is available to draw upon when openings above the entry level become open. Rather than wait until a person is promoted into a higher position, for example, employees can be trained for these positions in advance of when they become available. When an opening occurs, not only are replacements readily available inside the organization (thus minimizing recruiting costs), but replacements are at least partially trained so that work disruption and

lost productivity are minimized. Of course, training employees to assume higher level positions may create the expectation that promotion is forthcoming. If a position does not become available or if individuals are passed-over for promotion, the result may be increased dissatisfaction. The chance that this will occur must be balanced against the benefit of having replacements readily available when employees leave. It is also important to recognize that training provides a good opportunity to assess the promotability of employees. This may increase the effectiveness of promotion decisions and create the opportunity for counseling employees who are found less suitable for higher level jobs.

Finally, cross-training in lower-level job skills can also be a useful way to minimize problems resulting from turnover. Quite simply, management flexibility in moving employees among different jobs increases when employees possess a greater range of job skills. Where employees are highly specialized in their job skills, it is more difficult to shift employees to other positions where they may be needed. In many organizations where employees are represented by a union, contractual work rules may make it more difficult to shift employees to different jobs. This situation will be discussed in the next section. Where union contracts do not prevent this practice, however, organizations may benefit from providing employees with the opportunity to learn multiple job skills.

2. Changing work rules. The influence of scientific management on how work is designed in organizations has often resulted in highly specialized job classifications. Moreover, this specialization has been reinforced by union contracts that make it more difficult for managers to assign employees to tasks outside their area of specialization. If a machinist's assistant

(e.g., tool chaser) leaves the organization, for example, managers may be prevented from asking the machinist to take over these duties, even if only on a temporary basis.

Because restrictive work rules have obvious implications for decreasing productivity in the workplace, the recent economic recession has prompted many organizations, often in cooperation with unions, to reexamine these practices (Business Week, May 16, 1983). For example, the General Motors Corporation and the United Auto Workers jointly agreed to reduce the number of job classifications from 45 to 4 when a Cadillac engine plant was moved from Detroit to Livonia. Where employees previously worked within narrowly defined job classifications, they are now encouraged to learn all of the jobs in their section and are paid according to the number of skills they have mastered. Employees rotate among different jobs on the assembly line, thus increasing management's flexibility in assigning employees to jobs when absences or turnover occur.

Even when job classifications remain narrowly defined, other work rule changes can increase the ability of managers to assign employees to work outside their area of specialization. Goodyear negotiated an agreement with craftsmen at their largest production facility that allows them to be assigned up to 25% of their scheduled time outside their particular craft. A similar agreement was negotiated at Gulf Oil, where the Vice President for Labor Relations observed: "If carpenters are building a scaffold, the pipefitters won't sit around and wait. They help" (Business Week, May 16, 1983; p. 106). While offering less flexibility to management than redefining job classifications, the ability to assign employees temporarily to jobs outside their classification gives some discretion in dealing with workplace disruptions.

Because work rule changes have important implications for improving productivity, they are most often discussed in this context. However, it is also important to recognize that changes in work rules can provide managers with the flexibility necessary to minimize or buffer the problems caused by unexpected employee turnover. In a later section, more comprehensive approaches to job redesign will be discussed.

3. Part-time and "captive" labor pools. In addition to building an internal labor pool through training programs, organizations may find it desirable to develop a pool of external individuals who can be called upon to work when they are needed. Many individuals who cannot hold full-time jobs may be interested in opportunities for part-time employment. This may be true of parents caring for young children in the home or retired employees who wish to supplement their retirement benefits (but who are restricted in the total number of hours they can work). The identification of part-time labor pools enable organizations to take advantage of strategic opportunities calling for increased production on short notice (i.e., before regular full-time employees can be hired) and to minimize the disruption caused by turnover of full-time employees. Organizations that have implemented early retirement programs appear to be in a particularly advantageous position because they have created a pool of potential part-time employees who are already trained and qualified for the jobs, although labor costs may be higher for this group than other part-time employees.

Certain high turnover industries (e.g., fast-food restaurants) follow a strategy of hiring employees who are more or less committed to remaining in the job or community for a predictable period of time. For instance, fast-food restaurants often hire high school or university students to work part-

time while going to school. When students are hired early in their school career, they are more likely to be available for work until their education is completed. Thus, a student hired as a sophomore may be available for at least three years of work, or until they graduate as a senior. In addition, the spouse of a university student may represent a temporarily immobile employee. Hiring students or their spouses often provides a relatively inexpensive and abundant source of employees, thus decreasing the potential costs associated with turnover. Although the many activities associated with school may compete for the time of these individuals (i.e., certain highly active students may be characterized by less stable work patterns), as a group, there is a greater probability they will continue employment for a specified period of time and that their eventual turnover can be predicted. Hiring individuals who are tied to the community for a period of time may therefore ease the potential disruption caused by turnover because their decision to leave can be planned for in advance and steps to recruit a replacement can be initiated.

4. Reducing training and recruiting costs. One of the most significant costs associated with employee turnover are those incurred in recruiting a replacement and training the new employee on the job. To the extent these costs can be transferred to agencies or organizations external to the company, turnover costs can be reduced. For example, many junior colleges or vocational training schools provide training for students in specific job skills (e.g., welding, mechanical repair). Where such programs exist, they provide organizations with an available pool of job applicants that can be drawn upon when turnover takes place. Moreover, these individuals typically enter the organization with some training and thus may not require as much

time to become proficient in their new job as those hired by other means. Because vocational training programs often measure their success by the placement of graduates, organizations that are in a position of establishing a long-term hiring relationship with these schools may also be able to influence the training students receive. Schools may be easily persuaded to offer training in organizationally relevant job skills when there is a continuing record of hiring graduates.

5. Increased commitment among remaining employees. When disruption is caused by employee turnover, it is often necessary for the company, at least in the short-run, to call upon remaining employees to assume extra job duties. The disruption caused by turnover can be reduced if remaining employees are willing to take on extra responsibilities until a replacement is found. Thus, organizations with a highly committed workforce may be at an advantage when it comes to minimizing the negative consequences of employee turnover. Organizational commitment has most often been viewed as a direct predictor of turnover, with more committed employees less likely to leave (Mowday et al., 1982). Commitment among remaining employees, however, can also be viewed as a way to help cope with many of the problems that can be caused by unexpected terminations. It is beyond the scope of this paper to discuss how employee commitment to organizations can be increased (see Mowday et al., 1982). Where organizations are successful in building and sustaining high levels of employee commitment, the probability of turnover itself, as well as the chance that work will be seriously disrupted when employees leave, may be reduced.

Work Redesign

Several strategies that may be effective in coping with the problems caused by employee turnover involve more fundamental changes in the way work

is performed in the organization.

1. Increased automation. It should be apparent that the primary problems caused by turnover have as their source individual employees (i.e., it is the employee who quits his or her job, often at the least opportune time). To the extent that automation in the workplace decreases reliance upon employees for the production of goods or providing services, problems caused by turnover should be lessened. The degree of automation and its impact on employee turnover can vary a great deal depending upon the scope and sophistication of the automated technology. For instance, the use of industrial robots in certain jobs associated with automobile assembly replaces the direct role previously played by employees in the production process. Jobs previously performed by employees are now performed by machines, with employees having a less direct influence in their capacity of tending and repairing machines (although employees with more sophisticated skills may be required for these new roles).

In contrast to the use of robots in production processes, the use of automated money machines in banking has not entirely eliminated the need for bank tellers. However, it has reduced the customer's reliance on tellers for routine transactions. Previously, personal customer service was thought to be an important feature in attracting and retaining customers to the bank. This made banks more vulnerable to high teller turnover because personal relationships between customers and tellers were threatened when employees left. To the extent banks are successful in directing routine transactions to automated money machines, however, the importance of personal service from tellers is decreased. In addition to minimizing disruption to customer relations caused by turnover, these automated tellers also have the potential

to decrease bank costs substantially. For instance, one bank estimated that a single transaction costs 65¢ with a live teller, but only 38¢ if processed electronically (Main, 1982). For these and other reasons, Citibank implemented a policy (later rescinded) of only allowing customers with an account balance greater than $5000 to use tellers. All other customers were directed toward the automated teller machines.

Another way in which increased automation can be used to assist in overcoming the problems caused by turnover is in supplementing the skills of newly hired employees. Organizations experiencing high turnover rates often find that new employees have a lower level of skill than those who have left. Rather than approach this problem through intensive training programs, partial automation of work processes can be undertaken to assist unskilled new employees to perform at higher levels. An example can help illustrate this point. A major railroad car repair facility was having great difficulty retaining experienced welders. Moreover, they found that employees recruited as replacements were substantially less skilled than the welders who left. Where experienced welders had little difficulty welding metal over their head, newly hired welders could not easily weld in this direction, at least without risk of injury. The solution to this problem was to introduce a machine that eliminated the need for new employees to weld in the upward direction. The machine was capable of turning railroad cars upside down, thus always allowing inexperienced welders to weld in a downward direction. The problem caused by high turnover rates among experienced employees was thus partially solved by the introduction of automated equipment, although this was probably a very costly solution.

2. Job redesign. Many organizations hire employees to perform one highly specialized job. When the employee leaves, other employees in the workplace may not have the skills to perform the work and disruption may occur until a replacement is found and trained. It has already been suggested that training employees in multiple job skills and the elimination of restrictive work rules can help to minimize the disruption caused by turnover. Taking this line of reasoning one step further, many organizations have found that designing work using autonomous work groups offers a number of potential benefits compared with more traditional approaches. Rather than assigning individual employees to specific tasks, autonomous work groups generally involve assignment of a team of employees to a production process and allowing the group to decide how specific subtasks are to be performed (Cummings, 1978). The group is held accountable for a specified level of production, but is given discretion over how this level is to be achieved. Cross-training of group members and frequent rotation among tasks are common in autonomous work groups. Thus, when one employee leaves there are usually other employees available with the skills required to perform the task. Moreover, autonomous work groups often develop higher levels of group cohesiveness. Thus, individual members may be more highly committed to the group's goals and exhibit greater willingness to do what is necessary to accomplish the task (including performing extra job duties).

The greater utilization of group-based approaches in the workplace is currently evident in many organizations. Quality Control circles, for example, have become popular mechanisms to increase the level of employee involvement in their jobs. Extending the use of groups to how work is designed in organizations appears to have particular benefits in minimizing

the disruption caused by employee turnover, although it represents a major change in how jobs are thought about and designed in organizations. As such, it is important to recognize that group-based job design approaches have important implications for other human resource practices, including reward systems and selection processes.

Managing Employee Turnover

As the preceding discussion suggests, there are a number of different strategies organizations can (and probably do) use to minimize the negative consequences associated with high employee turnover rates. In evaluating the different strategies that have been discussed, it is important to recognize that they differ in terms of potential effectiveness, feasibility, and cost to implement. Automation of the basic production processes in an organization, for example, may be the most direct and potentially effective method of reducing the operational disruption caused by employee turnover. Automation may be a very expensive strategy for most organizations to pursue, however. In fact, the capital expenditures required to automate production processes may far exceed the benefits to be derived from reducing operational disruptions. Moreover, in some industries the technology may not yet exist to allow automation in the workplace, thus suggesting this strategy may not even be feasible.

Because alternative approaches are available to organizations in attempting to adapt to high employee turnover rates, the question emerges as to how managers should select among the different strategies. Before informed choices can be made about how to approach employee turnover, it is first necessary for managers to carefully diagnose the scope, causes, and consequences of turnover experienced by their organization. Such a careful diag-

nosis and assessment is fundamental to any later steps taken either to reduce or adapt to turnover. As suggested earlier, undifferentiated turnover control strategies are potentially wasteful of organizational resources and unlikely to effectively solve the basic problem of employees leaving (cf., Mobley, 1982). Because a careful assessment must be undertaken before any managerial action is contemplated, a diagnostic model will be briefly presented and discussed. Following this, we will return to the question of how managers can select among alternative adaptive strategies.

Diagnosing Employee Turnover

Building upon the earlier work of Mobley (1982), a diagnostic model is presented in Figure 2 that can serve as a guide to managers in assessing turnover in organizations. This model may be useful in comprehensively assessing the scope, causes, consequences of employee turnover.

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Insert Figure 2 About Here
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1. Is employee turnover a problem? Beginning with the observed turnover rate, managers must first assess whether turnover constitutes a major problem in the organization. Employee turnover in organizations may often have positive consequences. Moreover, knowing that employee turnover is 25% annually, for example, does not necessarily tell us whether this rate is too high or low. Rather, the turnover rate must be compared with historical rates for the company (e.g., is turnover increasing?), the rates experienced by other companies operating in the same industry and labor market, and the costs and consequences associated with turnover. Assessing the costs incurred as a consequence of employee turnover is perhaps the most crucial step in determining whether or not turnover is a problem, although it is undoubtedly

the most difficult (see Gustafson in Mobley, 1982). In addition, it is important to determine where turnover in the organization most often takes place. For example, the extent to which turnover should be viewed as a problem would be quite different when 90% of those who leave are unskilled laborers than when a comparable percentage of those who leave are experienced managers. Although this will be partially reflected in the costs associated with turnover, it is important for managers to have a clear picture of which employees are leaving.

2. Why do employees leave? Once it is determined that employee turnover represents a substantive problem, managers must next determine the major reasons why employees leave (i.e., the causes of turnover). In this analysis, it is important to recognize that all employees may not leave for the same reason. Rather, there may be several different causes of employee turnover. Moreover, these reasons may vary depending upon the area of the organization in which turnover is taking place (e.g., managers leave for different reasons than blue collar employees). Equally important is the recognition that accurately assessing the reasons why employees leave is a difficult process. The standard exit interviews used by many organizations, for example, have not always been found to be valid sources of information (Lefkowitz & Katz, 1969). Further, the hunches managers possess about the reasons for employee turnover may be based upon incomplete information or a biased assessment of the situation (Mowday, 1983). Many organizations have found that comprehensive employee attitude surveys administered on a systematic schedule (e.g., annually) are helpful in assessing the general causes of turnover in the organization. By whatever method, it is important that managers have an accurate assessment of the major causes of employee turnover.

3. Can employee turnover be effectively reduced? When the causes of employee turnover are determined, managers must decide whether they can effectively increase employee retention. In seeking an answer to this question, two issues are important. First, can management design and implement change programs that will reduce turnover? In many instances, the causes of employee turnover may be beyond the direct control of the organization. Managers may know the reason why most employees leave but may not be in a position to do much about it. When turnover is within the control of management, a second question becomes important: what are the costs associated with reducing employee turnover? Where dissatisfaction with supervision appears to be a major reason for employee turnover, for example, the cost of implementing a training program (to improve supervisory practices) or a recruiting program (to hire better supervisors) must be estimated. The most important consideration before undertaking actual interventions designed to reduce turnover is whether the cost of the intervention is greater than the costs associated with turnover. If the cost of solving the problem is greater than the cost of the problem itself, it is doubtful whether interventions would be considered practical.

Where it appears that employee turnover can be effectively reduced, organizations may wish to design, implement, and evaluate change programs. To follow the example used above, supervisory training programs can be designed, conducted, and then evaluated to see if they have an impact on reducing employee turnover. Where it appears that employee turnover cannot be effectively reduced, either because management does not control the reasons why employees leave or for cost considerations, managers must ask whether strategies can be devised to minimize or eliminate the negative consequences associated with turnover.

4. Can adaptive strategies be identified to minimize the problems caused by employee turnover? The major goal of this paper has been to suggest that managers faced with high turnover rates that are difficult to reduce need not necessarily accept the problems caused by turnover. Rather, strategies can be devised that can help to minimize these problems. A number of such potential strategies have been identified. However, the question remains as to how managers can select among the alternative strategies available. This question will be addressed in the next section.

Selecting an Adaptive Strategy

It was suggested earlier that adaptive strategies differ with respect to their potential effectiveness, cost to implement, and feasibility. Because such differences exist among the alternative strategies, it is useful to briefly consider several issues that should be addressed in deciding whether or not to implement a strategy and which particular strategy to implement. While a definitive answer to the question of what constitutes the "best" strategy cannot be answered in the abstract (i.e., it will depend upon the particular situation facing the organization), several issues managers might want to consider in making this judgment can be suggested.

First, the potential effectiveness of a specific strategy may largely depend upon the types of negative consequences that are associated with turnover in the organization. To take an obvious example, few managers would consider automating the workplace as a way to decrease the demoralization of remaining employees or reduce negative public relations caused by turnover. Clearly, pursuing a strategy of automation does not help to relieve the problem of demoralization, and may even make it worse. The first step in assessing the relative effectiveness of the different strategies is to care-

fully identify the negative consequences of turnover. Once these consequences are understood, a strategy or strategies can be identified that will help to minimize their impact. An attempt to match the consequences of turnover with relevant adaptation strategies is presented in Table 1. It is clear from this table that multiple strategies are often available to minimize specific negative consequences. Thus, additional issues must be considered by managers in selecting a strategy.

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Insert Table 1 About Here
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Second, managers must consider the feasibility of specific strategies in terms of their implementation. Some strategies may be feasible in most organizations (e.g., symbolic management of turnover), while other strategies may only be feasible in certain situations. For instance, the nature of the technological processes and the physical layout of the workplace may severely limit the ability of management to redesign the jobs of employees. Alternatively, the presence of a strong union may make changes in work rules more difficult to implement. Constraints in varying degrees may exist to the implementation of most strategies to minimize the negative consequences of turnover. At a minimum, the time required of managers may limit the attention that can be given to this problem. More important constraints may be evident in other situations, however, and these must be recognized by managers before deciding to implement a strategy.

Finally, and perhaps most importantly, managers must carefully assess the costs of implementing the various strategies. Where the costs associated with implementation of a strategy are greater than the costs resulting from the negative consequences of employee turnover, little may be gained by the

organization in pursuing this issue further. It has been repeatedly stressed that solutions to problems that cost more than the problem itself are of questionable value. The strategies that involve major changes in the workplace (e.g., job redesign and automation) are likely to be the most costly and thus may only be undertaken when employee turnover poses severe long-term problems. Other strategies such as those involving employee training and recruiting programs may be moderate in cost, while the symbolic management of turnover may require very few resources to implement. Where two strategies have equal potential effectiveness and both are feasible, it is in the organization's best interests to select the lower cost strategy.

Conclusions

The arguments advanced in this paper have implications for two diverse groups interested in employee turnover: managers in organizations who must deal firsthand with the consequences of employee decisions to leave and researchers interested in better understanding the impact of turnover on organizations. Because the implications are addressed to two diverse groups, they will be discussed separately below.

Managerial Implications

For managers in organizations, employee turnover is not a topic of theoretical interest. On the contrary, turnover is an important practical concern. Because employee instability may make the effective and efficient accomplishment of organizational goals more difficult, managers are frequently under pressure, either self-imposed or from above, to "do something" about high rates of employee turnover. "Doing something" about turnover has previously been defined almost exclusively in terms of increasing employee retention. For example, in an excellent chapter on "Controlling Employee Turnover,"

Mobley (1982) limits his discussion to various techniques that may be useful to organizations in increasing employee retention. Little advice is offered, either by Mobley (1982) or by others writing in the turnover literature, for organizations facing high employee turnover rates that are difficult to control.

The basic premise of this paper is that many managers face employee turnover rates that are too high (as judged from the organization's perspective) and, at the same time, are difficult or prohibitively costly to control. Even when employee retention is difficult to increase, it has been argued that managers can take steps to minimize or buffer the organization from the problems that turnover can cause. Toward this end, a number of strategies have been discussed that organizations can implement to adapt to high employee turnover. Moreover, suggestions were made about how managers should diagnose the extent to which employee turnover represents a major problem in the organization and select among alternative strategies in seeking solutions to the problems that are found.

If there were one general recommendation that could be made to managers about employee turnover, it would be to think more analytically about the phenomenon. It has been stressed that managers need to more carefully assess the extent to which turnover represents a major problem in the organization and to compare the relative effectiveness of different actions that might be taken to solve the problem, including the option of doing nothing at all. It is important for organizations to have a good understanding of the problems caused by turnover and the costs associated with different turnover rates. Unless such an understanding is developed, it is impossible to determine whether actions should be taken to either increase employee retention or

minimize the problems caused by employees leaving. Moreover, it will not be known whether the costs of solutions designed to address the problem of employee turnover exceed the costs associated with the problem itself.

Research Implications

From a research perspective, the consideration of adaptive strategies for coping with the problems caused by employee turnover opens several interesting lines of inquiry. Little empirical research to date has focused on the consequences of employee turnover, either from an individual or organizational perspective. The research literature might be described as focusing primary attention on identifying the causes of a "problem" whose implications remain poorly understood. Several writers have called for greater research efforts designed to identify and understand the consequences of employee turnover (Dalton & Tudor, 1982; Mobley, 1982; Mowday et al., 1982; Staw, 1980). In such research, it is important to recognize that the adaptive strategies described in this paper may serve to moderate the extent to which particular consequences follow from employee turnover. For example, organizations that are highly centralized and formalized may experience fewer problems caused by turnover than organizations that are decentralized and less formalized. In addition, organizations using group-based approaches to job design and extensive cross-training of employees in job skills may find that the problems caused by employee turnover are minimal.

Research attempting to develop a better understanding of the consequences of employee turnover must consider the situational factors that make these consequences more or less likely to occur. In addition to other situational factors mentioned by Mowday et al. (1982), assessment of the adaptation strategies mentioned in this paper may assist in developing a more accurate appraisal of the consequences of employee turnover.

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Footnote

[1] The fact that managers may sometimes incorrectly assess the causes of employee turnover is evident from a story told about Charles Revson, founder and former Chief Executive Officer of Revlon. As related by Tobias (1976; p. 34): "... he once called a meeting of all his top people to discuss the problem of executive turnover. Why couldn't Revlon keep its goddamn executives? The meeting was called for six o'clock on the Friday of a July Fourth weekend; Charles walked in at eight o'clock; and he proceeded to tell the assembled that the reason they couldn't keep their goddamn executives was that they weren't training them properly" (underlining in original). From this and other stories told about Revson, one suspects there might have been another reason.

Figure 1. Negative Organizational Consequences of Turnover and Possible Adaptation Strategies

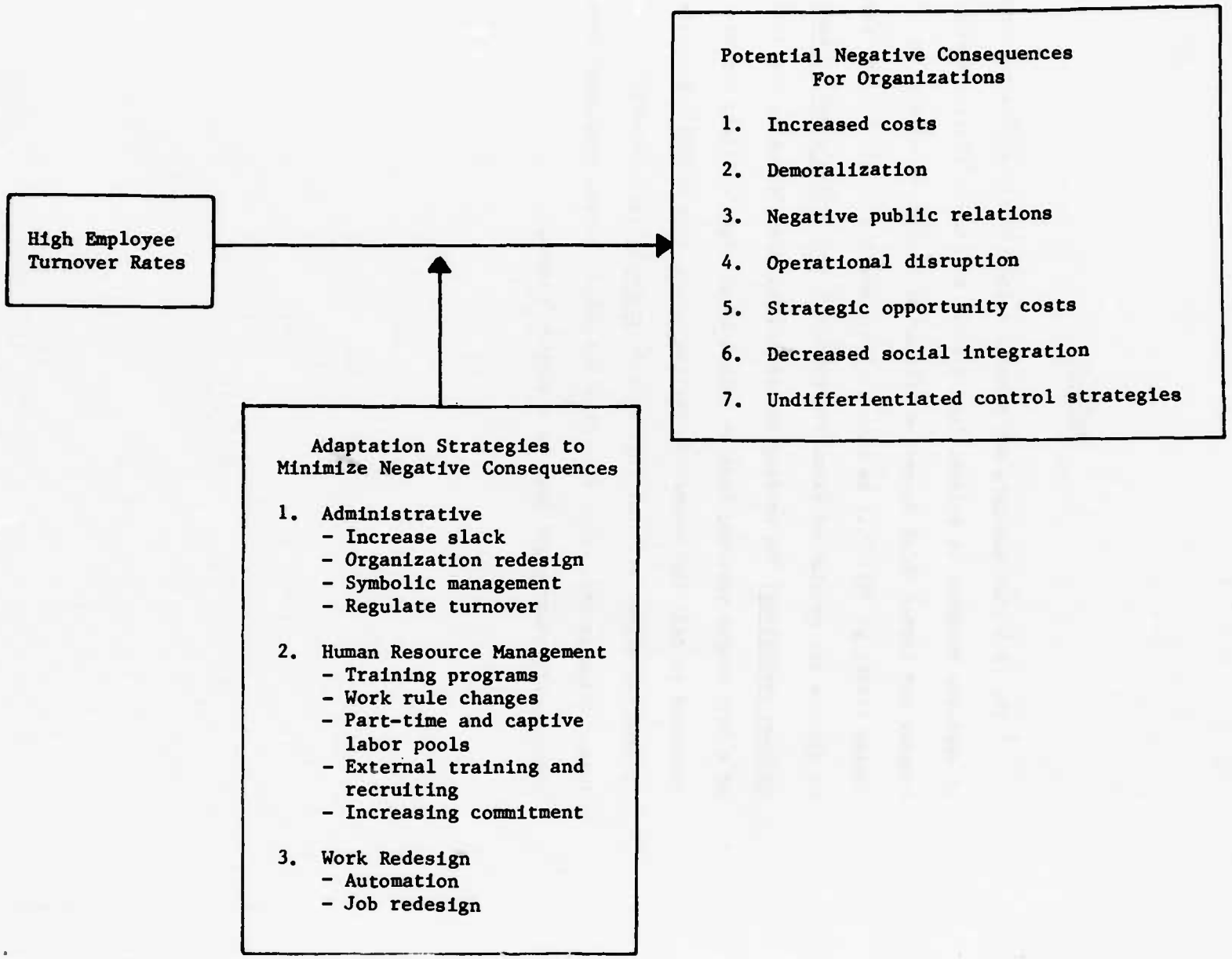

Figure 2. Diagnostic Model for Assessing Employee Turnover in Organizations

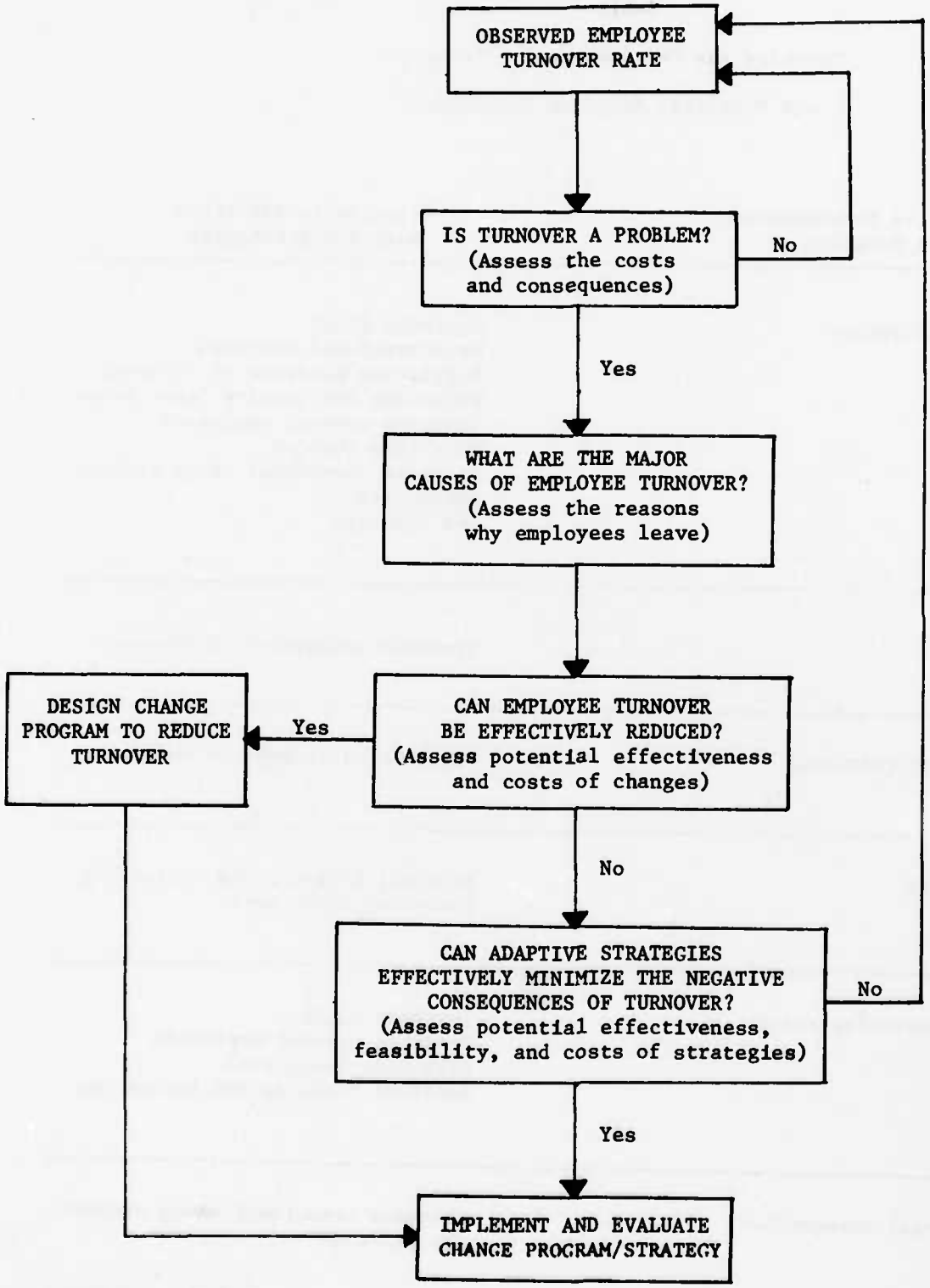

Table 1

Matching the Consequences of Turnover

and Potential Adaptive Strategies

Potential Negative Consequences of Employee Turnover	Potentially Effective Adaptive Strategies
Operational disruption	Increase slack Organizational redesign Regulating patterns of turnover Part-time and captive labor pools Training current employees Work rule changes Increase commitment among stayers Automation Job redesign
Demoralization	Symbolic management of turnover
Negative public relations	Symbolic management of turnover
Personnel costs	External training and recruiting Part-time labor pool
Strategic opportunity costs	Increase slack Training current employees Part-time labor pool External training and recruiting
Decreased social integration	Increase commitment among stayers Job redesign

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452:KD:716:enj
78u452-883

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Sequential by State/City

452:KD:716:lab
78u452-883

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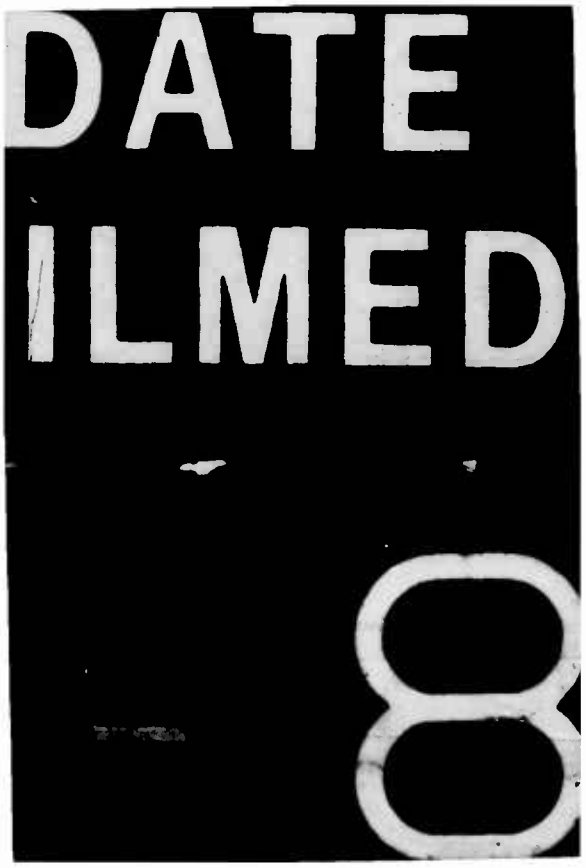
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